

August 30, 2005

Mr. Donald R. Michel
Natural Resources Committee Chair
Coleville Confederated Tribes

Mr. Jay J. Manning
Director, Department of Ecology
State of Washington

Mr. Gerald Nicodemus
Councilman
Spokane Tribe of Indians

RE: Your Proposal of July 29, 2005

FOR SETTLEMENT PURPOSES ONLY

Dear Mr. Michel, Mr. Manning, and Mr. Nicodemus:

We at Teck Cominco Metals Limited (Teck Cominco) would like to express our appreciation for the effort that you have put into your proposal and the ongoing negotiations in this matter. Difficult issues are never easily solved, from either side. We recognize your concerns and the feelings that are involved. We appreciate the concessions that you have attempted to make in your offer.

Just as you desire a binding legal agreement, Teck Cominco also desires a binding legal agreement. Our differences center around how to structure this binding legal agreement. Just as you want protection in this matter, so do we.

Let me start off by addressing your third question first. The proposed Shared Principles were developed by the technical committee without being reviewed at a legal or policy level. As general guidelines and preliminary expressions of intent, the Shared Principles were intended to guide the technical discussions. In this regard, they are a good beginning. We are in general agreement with the statements of Shared Principles; however, some principles need additional exposition and definition, and others do not go far enough. Until expounded upon, they cannot form a binding undertaking of the parties.

In response to your second question, Teck Cominco is willing to move forward expeditiously to negotiate an agreement that would lay out the framework for moving forward on the proposed two track approach. Recently the National Academy of Sciences (NAS) published a report concerning the EPA's use of CERCLA to clean up mine sites in the Couer d'Alene area. While this report acknowledged the success of some of these efforts, it also contained serious criticism and recommendations pertaining to the process that have particular applicability to this situation at Lake Roosevelt.

Teck Cominco Metals Ltd.

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We believe that these comments and recommendations should be incorporated and applied throughout any process ultimately agreed to by the parties.

Teck Cominco wants to enter into a binding legal agreement for all parties, but will not enter into an Administrative Order on Consent or Consent Decree, as doing so would put Teck Cominco under a United States order, and place it in submission to the jurisdiction of both the Tribes and the State. Teck Cominco and the Canadian Government have gone to great lengths to establish that facilities operating in Canada are not subject to such orders. Teck Cominco does, however, remain ready and willing to enter into an enforceable contractual agreement.

The following framework, which takes elements of your proposal and incorporates elements of our own, is our suggested basis for the resolution of this matter:

GENERAL:

- The process will be separated into a Human Health Risk Assessment (HHRA), done under the Remedial Investigation/Feasibility Study (RI/FS) framework, and an Ecological Risk Assessment (ERA) Ecological Services Assessment (ESA) done under the authority provided by Section 107 of CERCLA. This will allow for the expedited accomplishment of the critical item of protecting human health, while giving additional time to resolve the details of the ecological process.
- The Government of Canada (G of C) will be involved in a manner acceptable to it. This may involve the G of C having an enhanced consultative role throughout both processes. This means that it will have equal access to information and documents involved in the processes, will be allowed to make comments and recommendations, and these comments and recommendations will be given deferential treatment in the processes. At any time that the position of Canada is rejected or overruled by the ultimate decision maker, such rejection must be made in writing with a logical reason, grounded in credible science, given as to why the position of Canada was rejected or overruled.
- Teck Cominco will be allowed to have access to the information being produced and to make its own comments throughout the process.
- All studies and risk management measures to be implemented shall be done so in compliance with the U.S. statutory and regulatory standards including the National Contingency Plan (NCP) and in keeping with the recommendation in the recent report of the NAS.
- The EPA will release the Unilateral Administrative Order (UAO) that has been at issue herein, and will agree that such an order will not be reissued against Teck Cominco, nor any of its related companies, as long as all parties continue to work within the agreed to process.
- The costs for the combined studies of both the HHRA and the cooperative ecological assessment shall be capped at \$14 million, however, if Teck Cominco withdraws from the ecological assessment, the cap will only apply to the HHRA – RIFS portion of the process and the amount will be reduced accordingly.
- All parties will sign an agreement to be filed in the court in this matter acknowledging that Teck Cominco had sufficient cause to not comply with the UAO.
- Upon receipt of funds for the HHRA all parties will join in a motion in the federal district court for the Eastern District of Washington to vacate the order of Judge McDonald issued in this matter on November 8, 2004.

HHRA – RI/FS

- Upon reaching an agreement on this matter with the parties, Teck Cominco shall, either directly or through the G of C, pay to the EPA an agreed upon sum for all past, present and future costs for the HHRA – RI/FS that have been, are being, or will be conducted in the Upper Columbia/Lake Roosevelt area pertaining to this matter.
- All parties, including the EPA and the State and Tribes will, upon the EPA receiving payment, release Teck Cominco from any and all liability for the HHRA – RI/FS that have been, are being, or will be conducted in the Upper Columbia/Lake Roosevelt area.
- The EPA may then proceed with the HHRA – RI/FS under CERCLA and in compliance with the National Contingency Plan (NCP), however,
- Teck Cominco does not submit to the CERCLA process, nor does it accept or submit to jurisdiction under CERCLA.
- Additionally, all studies developed and proposed to be conducted by the EPA, State, or Tribes must meet the standard set by the National Academy of Sciences by its recommendations contained in its Coeur d'Alene study.
- No Preliminary Remediation Goals shall be set at the beginning of the process. All remediation goals shall only be set after the studies have been completed, and shall be based on the risks determined to exist from the studies, based on good credible science. This is to comply with the National Academy of Sciences comment that "it appears more reasonable to define protection of the environment in terms of restoration of normal ecological functions than reduction in chemical concentrations below theoretically protective thresholds." It also complies with the National Academy of Sciences recommendation to "focus on the basic purposes of CERCLA, protecting human health and the environment and be ready to waive specific ARAR requirements."
- Canada is allowed to exercise its agreed role in the HHRA – RI/FS process as stated above.
- Teck Cominco is allowed the increased access to information set forth above, and the right to review and comment throughout the HHRA – RI/FS process.
- In order to assist the parties in determining the exact details of the studies and risk management measures needed, the parties shall appoint a Joint Scientific Panel (JSP) consisting of six members, three from the United States, three from Canada, chosen based upon their appropriate scientific credentials and expertise. The function of the JSP will be to review all applicable information and, based upon good credible science, recommend the studies required for the HHRA – RI/FS. Upon receiving the results of the studies actually conducted, the JSP shall also review those results and, based on good credible science, recommend any risk management measures. In making its recommendations, the JSP shall strive to arrive at a consensus. The EPA will endeavor to accept a consensus recommendation stating in writing its reasons if such recommendations are not accepted. If consensus is not possible, the JSP shall issue both a majority and minority report on the issue upon which there is not agreement, and the EPA shall make the final decision, issuing a written opinion as to why it decided the way it did and why it rejected all other positions on the issue. This is to comply with the National Academy of Sciences recommendation to "establish an independent external multi-disciplinary scientific review panel to evaluate and advise the agency on critical needs for characterization and remediation decisions.
- Upon completion of the HHRA – RI/FS process, and after appropriate time for and consideration of input from the G of C and Teck Cominco, the EPA will issue an interim ROD setting forth the risk management measures to be implemented.

Cooperative Assessment Conducted under Section 107 of CERCLA

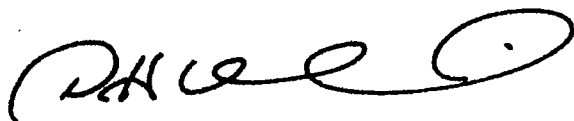
- Upon reaching an agreement, the parties (EPA, the trustees (DOI, State, and Tribes), Teck Cominco and Canada) will negotiate a separate contractual agreement for "cooperative ecological assessment" leading to a remedial/restoration plan that incorporates the trustees' and EPA's ecological components. At a minimum, this agreement will contain the elements listed herein.
- The cooperative ecological assessment shall have an agreed upon schedule with interim milestones.
- The governments may withdraw from the cooperative ecological assessment process at any time that they determine that the process is not working as agreed to, or that other parties are not following the process in good faith. Should the EPA withdraw, it may pursue its own process, retaining any rights it may have to seek reimbursement and/or damages from any party.
- The assessment of ecological impacts will include integration of whole lake effects as well as the bioavailability of metals in the environment utilizing elements of the proposed EPA Framework for Metals Risk Assessment.
- The cooperative ecological assessment shall be designed to meet the objectives of the ecological risk assessment process, as normally conducted, at this site, and develop a remediation/restoration plan. The cooperative assessment will evaluate both potential on-site response and restoration actions. This shall be in addition to the response actions selected in the interim ROD from the HHRA – RI/FS. The remediation/restoration plan shall be designed to eliminate or reduce continuing or future risks to the environment or potential injury to natural resources, and provide for off-site restoration, replacement, or other environmental improvement or protection projects which may compensate for any unabated environmental risks or potential natural resource injury. The cooperative assessment will be prospective not retrospective.
- Teck Cominco is willing to enter into a Tolling Agreement with the Tribes State and other Trustees that provides the Statute of Limitations for natural resource damage claims will be tolled until a mutually-agreed upon date.
- The JSP will perform the same function under the ERA – ESA process as under the HHRA – RI/FS process, with the addition that in considering and recommending any risk management measures, the JSP shall include the potential restoration measures set forth above.
- Canada is allowed to exercise its agreed role in the cooperative assessment process as stated above.
- Teck Cominco is allowed the increased access to information set forth above, and the right to review and comment throughout the cooperative assessment process.
- The studies to be conducted pursuant to the agreement to be entered hereunder, and to be paid for by Teck Cominco, shall be designed to determine only the extent of risks and potential damages created by contaminants that came from Teck Cominco's Trail Smelter. Additionally, any risk management measures to be taken shall be designed to address only such risks and damages determined to have resulted from contaminants that came from Teck Cominco's Trail Smelter. The other parties may perform any other studies, remediation and/or restoration desired at their own expense, without any liability for same attaching to Teck Cominco.
- No Preliminary Remediation Goals shall be set at the beginning of the process. All remediation goals shall only be set after the studies have been completed, and shall be

based on the risks determined to exist from the studies, based on good credible science. This again complies with comments and recommendations of the National Academy of Sciences.

- Any Applicable and Relevant or Appropriate Requirements (ARARs) shall be determined at the beginning of the process. This would be consistent the National Academy of Science study which states the parties should "Focus on the basic purposes of CERCLA, protecting human health and the environment, and be ready to waive specific ARAR requirements."
- The studies shall be performed by Teck Cominco under EPA and Trustee oversight.
- Teck Cominco shall prepay for the studies on a semi- annual basis.
- Teck Cominco may opt out of the cooperative assessment if the other parties insist on studies it considers unreasonable. If Teck Cominco desires to opt out, it must first provide a written notice of its decision to do so to all parties, listing all of its reasons for opting out. It will then submit to a mediation procedure through the JSP for a period of three months (unless resolved sooner) to attempt to resolve its concerns. If the concerns are not resolved to the satisfaction of all parties within the three month mediation process, then Teck Cominco may withdraw from the cooperative assessment. If it withdraws from the cooperative assessment, then Teck Cominco shall continue to fund all studies previously agreed to which are being conducted in accordance with the agreed to study plans. Teck Cominco shall have no liability for studies which are not being conducted in accordance with the agreed study plans.
- Upon completion of all cooperative assessment studies, their review by the JSP, and issuance of recommendations of the JSP for risk management measures, the EPA shall issue a ROD to implement the necessary risk management measures.

It appears to us at this juncture that, while we may have many of the same objectives, we are on parallel tracks to achieve those objectives. There are points of convergence but also significant points of divergence. As I indicated at the start of this letter, we appreciate the opportunity that we have had to engage in full and frank discussions with you. Teck Cominco is willing to "put its money where its mouth is" with respect to the issues surrounding Lake Roosevelt and the Upper Columbia River and we hope that the foregoing process will enable us to fund these studies and deal with any consequences of our past practices in a way that respects your objectives.

Very truly yours,



Doug H. Horswill
Senior Vice President,
Environment and Corporate Affairs